



Virginia Joint Commission
on Health Care



Increasing the Availability of Health Insurance Providers in Rural Areas

October 26, 2007

Stephen W. Bowman
Senior Staff Attorney/Methodologist

1

House Bill 1324 (2006)

- ▶ HB1324 (Nutter) directed the Commissioner of Insurance to prepare a plan to double the level of competition among providers of health insurance products in Commonwealth's rural areas. The plan was to address:
 - ▶ Current level of competition among health insurance providers
 - ▶ Barriers to increased competition
 - ▶ Effects of increased competition
 - ▶ Analysis of potential solutions
 - ▶ Ways to overcome institutional, legal, and economic barriers
- ▶ HB 1324 was passed by in the House Commerce and Labor Committee and a letter was sent requesting a JCHC study of the issues



2

Representatives and Resources Consulted

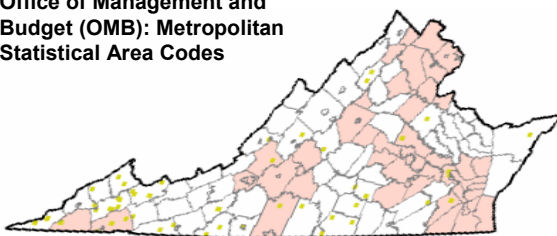
- ▶ Anthem
- ▶ Center for Rural Policy Analysis
- ▶ Center for Rural Virginia
- ▶ Community Health Resource Network
- ▶ Department of Medical Assistance Services
- ▶ Ehealthinsurance.com
- ▶ Kaiser Family Foundation
- ▶ National Conference of State Legislatures
- ▶ Southwest Community Health Systems, Inc.
- ▶ State Corporation Commission
- ▶ The Medical Society of Virginia
- ▶ UNC's Cecil G. Sheps Center for Health Services Research
- ▶ Virginia Association of Health Plans
- ▶ Virginia Commonwealth University Health System
- ▶ Virginia Community Health Care Association
- ▶ Virginia Department of Health
- ▶ Virginia Premier
- ▶ Virginia Tech's Rural Economic Analysis Program



3

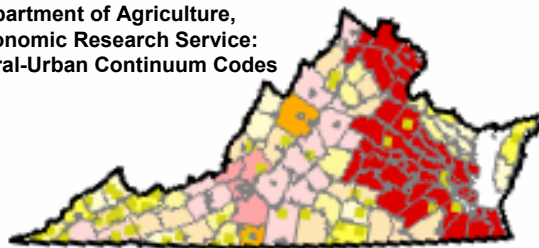
Rural Can Be Defined in Many Ways

Office of Management and Budget (OMB): Metropolitan Statistical Area Codes



Metropolitan Statistical Areas

Department of Agriculture, Economic Research Service: Rural-Urban Continuum Codes



Rural Urban Continuum Codes (Beale Codes)

- Counties in Metro Areas of 1 Million Population or More
- Counties in Metro Areas of 250,000 to 1 Million Population
- Counties in Metro Areas of Fewer than 250,000 Population
- Urban Population of 20,000 or More Adjacent to a Metro Area
- Urban Population of 20,000 or More Not Adjacent to a Metro Area
- Urban Population of 2,500 to 19,999 Adjacent to a Metro Area
- Urban Population of 2,500 to 19,999 Not Adjacent to a Metro Area
- Completely Rural or Less Than 2,500 Urban Population Adjacent to a Metro Area
- Completely Rural or Less Than 2,500 Urban Population Not Adjacent to a Metro Area

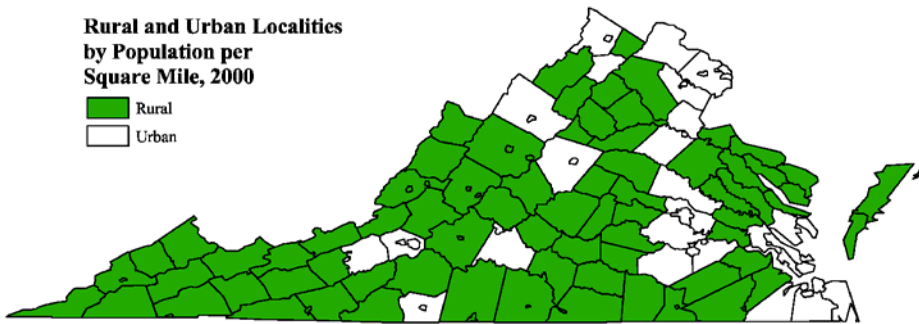
Maps prepared by Rural Policy Research Institute (RUPRI)'s Community Information Resource Center – 9/7/07

Study's Definition of Rural

- ▶ Rural is defined as localities with less than 120 people per square mile*
- ▶ Center for Rural Virginia uses this definition for all programs and activities

**Rural and Urban Localities
by Population per
Square Mile, 2000**

Rural
 Urban



* 2000 Census locality population used

Rural and Non-rural Localities Have Distinct Differences

		Rural Localities	Non-rural Localities
2000 Localities' Persons per square mile*	Average	61	1,106
	<i>Median</i>	56	326
2004-05 Median Family Income**	Average	\$38,596	\$51,341
	<i>Median</i>	\$36,375	\$46,890
2004-05 Rate of Population 200% or Below the Federal Poverty Level (FPL)**	Average	32.1%	24.2%
	<i>Median</i>	32.0%	21.5%
2004-05 Unemployment rate**	Average	4.4%	3.8%
	<i>Median</i>	4.4%	3.3%
2004-05 Uninsured Rate**	Average	14.8%	13.4%
	<i>Median</i>	14.8%	12.9%



-All calculations above give each locality an equal weighting

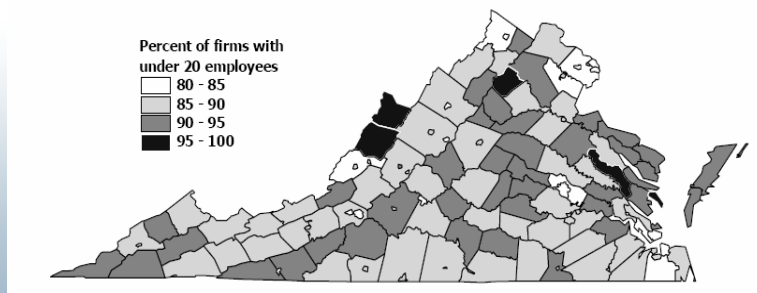
* *What is Rural*, Virginia's Rural Economic Analysis Program, Vol. 18-6, Nov/Dec 2006

**Virginia Atlas of Health Indicators

Rural Virginia has a Higher Percentage of Smaller Firms

Smaller firms provide employee health insurance at a lower rate

# of Employees	< 10	10-24	25-99	100-999	1000+
% of Private Sector Establishments that Offer Health Insurance Coverage	34.3%	63.4%	84.9%	98.9%	98.1%



Sources: Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends. 2004 Medical Expenditure Panel Survey⁷ Insurance Component. Graphic - *The State of Rural Virginia*, Virginia's Rural Economic Analysis Program, Vol.6:1, Fall 2001

Challenges for Insurers in Rural Areas

- ▶ Difficult to establish a network with so few health care providers
 - ▶ Lack of primary care providers
 - ▶ Lack of medical care specialists
- ▶ Fewer economies of scale available for insurers*
- ▶ Less than half of small employers provide employer-sponsored coverage to employees**
 - ▶ Rural areas have a higher percentage of small businesses
- ▶ Higher percentage unemployed
- ▶ Lower per capita income
- ▶ Higher rate of population at 200% or below FPL



* An Analysis of Availability of Medicare+Choice, Commercial HMO, and FEHBP Plans in Rural Areas: Implications for Medicare Reform, Rural Policy Brief (Vol. 8:5, March 2003)

** Options to Extend Health Insurance Coverage to Virginia's Uninsured Population, JLARC, House Document 19 (2007)

HMOs and PPOs Operating in Virginia

► 20 HMOs operating in Virginia

- 18 Medical
- 2 Dental

18 Medical HMOs
were analyzed

► 63 PPOs operating in Virginia

- 34 Medical
- 3 Medical and Dental
- 17 Dental
- 1 Dental and Vision
- 8 Vision

37 Medical PPOs
were analyzed



Source : Data provided by VDH's Office of Licensure and Certification

9

All Localities Have At Least 35 Licensed and Certified PPOs/HMOs

► Average # of Licensed and Certified HMOs

- Rural Localities – 9
- Non-Rural Localities – 12

► Average # of Licensed and Certified PPOs

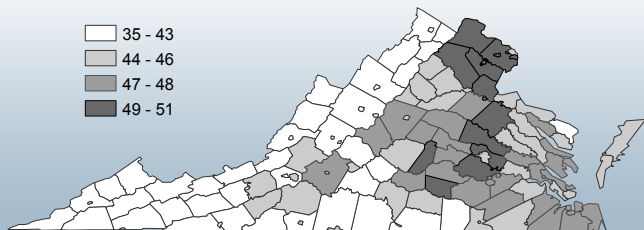
- Rural Localities – 34
- Non-Rural Localities – 35

When rural localities are defined as less than 60 persons per square mile the average number of licensed PPOs and HMOs are very similar*

*All numbers are the same except HMO's in non-rural localities

Combined Number of PPOs and HMOs by Quartile

- 35 - 43
- 44 - 46
- 47 - 48
- 49 - 51



10

Insurance Providers/Products Available in Rural and Non-Rural Areas

Individual Quotes From an Health Insurance Broker*

Rural Virginia

Marion, Smyth County

- ▶ 4 providers
- ▶ 67 products
- ▶ \$107 per month avg.

Hot Springs, Bath County

- ▶ 3 Providers
- ▶ 58 products
- ▶ \$108 per month avg.

Non-Rural Virginia

Lakeside, Henrico Co.

- ▶ 4 providers
- ▶ 67 products
- ▶ \$114 per month avg.

North Carolina

Raleigh (Non-rural) &
Mount Airy (Rural) had
the same availability

- ▶ 6 providers
- ▶ 84 products

Example is not intended to be
exhaustive of insurers and
products for each location



Source: ehealthinsurane.com

*Illustrative purposes only: Average is comprised of quote estimates for a 40 year old male in which identical insurance products across the areas are averaged.

11

Lack of Health Insurers and Products Are Not the Leading Issues in Rural Areas

▶ Rural issues of greater importance include:

- ▶ Lack of Specialists
- ▶ Primary Care Physicians

Currently Addressed by:

- VDH Office of Minority Health and Public Health Policy
- Governor's Health Reform Commission
- Graduate Medical Education Consortium
- Virginia's Recruitment and Retention Collaborative Team
- Health Workforce Advisory Committee
- Area Health Education Centers (AHECs)

▶ Obtaining health insurance coverage

- ▶ Lower rates of employers offering health insurance coverage
- ▶ Population with less disposable income than non-rural population
- ▶ Higher rates of unemployment
- ▶ Cost

Currently Addressed by:

(in whole or in part)

- Governor's Health Reform Commission
- VDH's Rural Health Plan Workgroup's
- JCHC Health Care Cost Study



12

Potential Ways to Increase Insurers in Rural Areas

- ▶ Allow a mandate-free health insurance product line in rural areas
 - ▶ 13% (\$335 per contract) of individual claims were for mandated benefits
 - ▶ 18% (\$507 per certificate) of group claims were for mandated benefits
- ▶ Provide tax incentives for insurers to develop products for targeted rural areas
 - ▶ For example, localities with less than 40 PPOs or HMOs certified to operate
 - ▶ Carroll, Dickenson, Grayson, Halifax, Highland, Lee, Scott, Smyth, and Washington counties



The Financial Impact of Mandated Health Insurance Benefits and Providers Pursuant to Section 38/2-3419.1 of the Code of Virginia: 2005 Reporting Period, SCC, Report Document No. 289, 2005)

13

Potential Way to Assist Rural Employers With the High Cost of Insurance Coverage

- ▶ Provide subsidies to rural small employers that decide to provide health insurance to employees

Subsidy Traits

- Through tax incentive or direct payment
- Could require employers contribute to employees health insurance
- Must be substantial for small employers to engage
- Adds costs to State



Source: Options to Extend Health Insurance Coverage to Virginia's Uninsured Population, JLARC, House Document 19 (2007)

14



Policy Options

15

Policy Options

Option 1: Take no action

Option 2: Amend the *Code of Virginia*, Title 38.2, Chapter 34 to exempt health insurance products provided in specific rural areas from having to include mandated coverage as required in *Code of Virginia* Title 38.2, Chapter 34.

Option 3: Provide a tax incentive for health insurance carriers to offer new small group plans in targeted rural areas. (Reductions in tax liability could be based on enrollment numbers)

Option 4: Introduce a budget amendment (funding to be determined) to provide a subsidy for small employers operating in specific rural areas of Virginia, that offer health insurance for their employees



16

Public Comments

- ▶ Written public comments on the proposed options may be submitted to JCHC by close of business on November 5, 2007. However, to ensure comments are included in the preliminary matrix draft that will be distributed to JCHC members prior to the meeting, the comments must be received by close of business November 1st.
- ▶ Comments may be submitted via:
 - ▶ E-mail: sareid@leg.state.va.us
 - ▶ Fax: 804-786-5538
 - ▶ Mail: Joint Commission on Health Care
P.O. Box 1322
Richmond, Virginia 23218
- ▶ Comments will be summarized and presented to JCHC during its November 8th meeting.

